

Message Text

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AMEMBASSY BRASILIA

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TAGS:EAID,EFIN,AORG,IMF,IBRD

SUBJECT:WORLD BANK/IMF PROPOSALS TO INCREASE EXECUTIVE
DIRECTORS AND ALTERNATES SALARIES

REF: (A) 75-155396; (B) 75-183492; (C) 76-116378;

1. EMBASSIES REQUESTED FORWARD TO HOST GOVERNMENT GOVERNORS
OF IBRD AND IMF LETTER FROM TREASURY SECRETARY SIMON CON-
TAINED IN PARA 6 BELOW. IN ADDITION PLEASE CONTACT APPRO-

PRIATE HOST GOVERNMENT OFFICIALS AND EXPLAIN U.S. POSITION DESCRIBED BELOW IN OPPOSITION TO IBRD/IMF RESOLUTIONS CONCERNING EXECUTIVE DIRECTORS AND ALTERNATES COMPENSATION, ON WHICH BANK AND FUND HAVE REQUESTED GOVERNORS VOTES NOT LATER THAN AUGUST 2. APPROACH SHOULD SEEK SIMILAR NEGATIVE ACTION BY HOST COUNTRY GOVERNORS. PLEASE REPORT REACTION TO U.S. POSITION.

2. COMMITTEE ON REMUNERATION OF IBRD/IMF ED'S AND AED'S HAS RECOMMENDED TO BOARDS OF GOVERNORS THAT ED'S COMPENSATION BE RAISED BY DOLS. 3,000 AND DOLS. 2,400. SPECIFICALLY ED'S SALARY WOULD BE RAISED BY DOLS. 3,000 TO DOLS. 46,500 (INCLUDING NON-ACCOUNTABLE EXPENSE ALLOWANCE) AND ALTERNATES SALARY BY DOLS. 2,400 TO DOLS. 36,600

(INCLUDING EXPENSE ALLOWANCE). IN ADDITION ED'S AND AED'S RECEIVE GENEROUS SPOUSE AND DEPENDENCY ALLOWANCES, WHICH WOULD BE MODIFIED UPWARDS TO BRING THEM IN LINE WITH THOSE ENJOYED BY THE STAFF. THE U.S. DOES NOT OPPOSE THE ADJUSTMENT TO THE SPOUSE AND DEPENDENCY ALLOWANCES.

3. USG WAGED SIMILAR CAMPAIGN LAST YEAR, REFTEL A AND B, LIMITED OFFICIAL USE
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RESULTING IN DEFEAT OF ORIGINAL PROPOSALS. SUBSEQUENTLY MORE MODERATE INCREASES WERE APPROVED. REFTEL C EXPLAINS THE RESULTS OF THE USG CAMPAIGN TO RESTRAIN THE 1976 STAFF SALARY INCREASE. USG WAS SUCCESSFUL IN OBTAINING MAJORITY OF VOTES AGAINST MANAGEMENTS' PROPOSAL FOR AN 8.8 PERCENT INCREASE. A STRAIGHT COST OF LIVING ADJUSTMENT WAS APPROVED. SUCCESS IN CONTROLLING ED'S SALARY IS VITAL TO CONTROLLING FUTURE STAFF SALARIES. CURRENT PROPOSALS FOR ED'S WOULD UNDERMINE THE FUTURE PROSPECT OF CONTROLLING STAFF SALARIES.

4. EMPHASIZE TO LDC'S GOVERNMENTS THE LINKAGE DEVELOPING IN CONGRESS BETWEEN STAFF SALARIES AND CONGRESSIONAL APPROPRIATIONS. OUR REQUEST FOR IDA WAS CUT BY 15 PERCENT THIS YEAR IN PART BECAUSE OF CONGRESSIONAL DISSATISFACTION WITH SALARY LEVELS.

5. U.S. CONSIDERS THE LEVEL OF REMUNERATION FOR ED'S MORE THAN ADEQUATE FOR DUTIES. ED'S CURRENT NET REMUNERATION OF DOLS. 43,500 PLUS DEPENDENCY ALLOWANCES GROSSES UP TO ABOUT DOLS. 78,000 UNDER U.S. FEDERAL AND D.C. INCOME TAX SYSTEMS. U.S. SECRETARIES OF TREASURY AND STATE RECEIVED DOLS. 63,000 GROSS. WE BELIEVE FEW IF ANY IMF OR IBRD GOVERNORS EXCEED THIS LEVEL.

6. REJECTION OF PROPOSALS DOES NOT FORECLOSE MORE MODERATE ALTERNATIVE PROPOSALS BEING INTRODUCED LATER. WHILE WE

BELIEVE NO COMPENSATION INCREASE IS JUSTIFIED, IN PRACTICE
WE WILL PROBABLY EVENTUALLY HAVE TO ACCEPT A SMALL ONE,
HOPEFULLY LESS THAN THE FULL COST-OF-LIVING. BEGIN
UNCLASSIFIED LETTER FOR TRANSMITTAL TO HOST GOVERNMENT
IBRD/IMF GOVERNORS READS AS FOLLOWS: QUOTE

DEAR MR. GOVERNOR:

I AM WRITING TO YOU IN YOUR CAPACITY AS GOVERNOR FOR (HOST
GOVERNMENT) IN CONNECTION WITH THE RESOLUTION YOU HAVE
RECENTLY RECEIVED PROPOSING AN INCREASE IN THE COMPENSA-
TION OF THE EXECUTIVE AND ALTERNATE EXECUTIVE DIRECTORS
IN THE WORLD BANK AND INTERNATIONAL MONETARY FUND (IF
GOVERNORS IN TWO ORGANIZATIONS DIFFERENT, ADJUST ACCORD-
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INGLY).

AS YOU KNOW, THE JOINT COMMITTEE ON THE REMUNERATION OF
EXECUTIVE DIRECTORS AND ALTERNATE DIRECTORS IS PROPOSING A
DOLS. 3,000 INCREASE IN THE NET SALARY AND EXPENSE ALLOW-
ANCE OF THE EXECUTIVE DIRECTORS TO DOLS. 46,500, AND A
DOLS. 2,400 INCREASE FOR THE ALTERNATES TO BRING THEIR NET
REMUNERATION TO DOLS. 36,600. THE EXECUTIVE AND ALTERNATE
DIRECTORS ARE ALSO ELIGIBLE TO RECEIVE SPOUSE AND DEPEND-
ENCY ALLOWANCES THAT CAN INCREASE THEIR NET REMUNERATION BY
SEVERAL THOUSAND DOLLARS. THE PROPOSED RAISES AMOUNT TO
6.5 PERCENT AND 7.0 PERCENT RESPECTIVELY OF NET SALARY
AND EXPENSE ALLOWANCES. THIS COMPARES WITH THE 5.8 PERCENT
COST OF LIVING ADJUSTMENT EVENTUALLY AWARDED THE STAFF IN
APRIL 1976, AFTER HIGHER MANAGEMENT PROPOSALS HAD BEEN RE-
JECTED BY THE BOARD OF EXECUTIVE DIRECTORS. BECAUSE IN
MOST COUNTRIES INCOME-TAXES TAKE A HIGHER THAN PROPORTION-
ATE SHARE OF ADDITIONS TO INCOME THE NET INCREASE RECOM-
MENDED FOR EXECUTIVE DIRECTORS WOULD BE COMPARABLE TO
SUBSTANTIALLY HIGHER INCREASES FOR TAX-PAYING CITIZENS.
IN THE CASE OF THE UNITED STATES, FOR EXAMPLE, THE JOINT
COMMITTEE'S PROPOSALS FOR EXECUTIVE AND ALTERNATE EXECU-
TIVE DIRECTORS WOULD AMOUNT TO 8.6 PERCENT AND 9.4 PERCENT
INCREASES IN GROSS TAXABLE EQUIVALENT REMUNERATION,
RAISING THESE INCOMES TO OVER DOLS. 85,000 AND DOLS. 63,000
RESPECTIVELY. I WOULD LIKE TO POINT OUT THAT EVEN AT
PRESENT LEVELS, EXECUTIVE DIRECTORS' SALARIES ARE FAR
LARGER THAN THOSE OF ALMOST ALL THE GOVERNORS OF THE IMF
AND WORLD BANK, TO WHOM THE EXECUTIVE DIRECTORS REPORT.

THERE IS A GROWING CONCERN IN THE U.S. CONGRESS AT THE
LEVEL OF SALARIES IN INTERNATIONAL FINANCIAL INSTITUTIONS
AND THIS CONCERN IS LIKELY TO AFFECT THE APPROPRIATIONS
NEEDED FOR THE INTERNATIONAL DEVELOPMENT LENDING INSTITU-
TIONS. THIS LINKAGE BETWEEN AID TO THE POOREST COUNTRIES

AND THE REMUNERATION LEVELS OF SOME OF THE HIGHEST PAID
CIVIL SERVANTS IN THE WORLD, WAS HIGHLIGHTED IN THE REPORT
ON THE 1976 APPROPRIATIONS BY THE SENATE COMMITTEE ON APPRO-
PRIATIONS. THE REPORT REFLECTED THE MOOD OF CONGRESS IN
THE FOLLOWING STATEMENT ON SALARIES IN THE DEVELOPMENT
BANKS: "THE COMMITTEE,...., DOES NOT SEEK TO EMBARRASS
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INDIVIDUALS, NOR DO WE WISH TO QUESTION THEIR INDIVIDUAL
QUALITIES. WHAT WE DO QUESTION, AND WHAT MUST BE AN
EMBARRASSMENT TO THESE INSTITUTIONS, IS THE PERPETUATION
OF A SYSTEM PROVIDING UNPARALLELED PAY AND ALLOWANCES TO
THOSE WHOSE PRIMARY PURPOSE IS TO ASSIST THE POOR AND
NEEDY PEOPLES OF THE WORLD. BY ITS EXCESSES, THIS SYSTEM,
IN OUR OPINION, DENIGRATES THE SPIRIT OF INTERNATIONAL
COOPERATION AND CONCERN WHICH UNDERLIES CONTRIBUTIONS TO
THE BANKS." SUBSEQUENTLY THE FULL CONGRESS LOWERED THE
APPROPRIATION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION

BY 15 PERCENT TO DOLS. 320 MILLION FROM THE DOLS. 375
MILLION WE HAD REQUESTED.

ACCEPTANCE OF SALARY INCREASES FOR EXECUTIVE DIRECTORS
LARGER THAN THOSE RECEIVED BY THE STAFF WOULD BE HIGHLY
IMPRUDENT. THE EXECUTIVE DIRECTORS' SALARIES SHOULD ACT AS
A CEILING ON STAFF SALARIES AT THE TWO INSTITUTIONS, AND
IN ORDER TO RESTRAIN THE OVERALL GROWTH IN STAFF SALARIES
IT IS IMPORTANT THAT THIS CEILING BE RAISED BY AS SMALL
AMOUNT AS POSSIBLE. --

THE UNITED STATES DOES NOT OPPOSE ADJUSTING THE BENEFITS
OF THE EXECUTIVE AND ALTERNATE EXECUTIVE DIRECTORS TO MAKE
THEM PARALLEL WITH ADJUSTMENTS MADE TO THE STAFF IN MARCH
1976 AND WE WILL THEN VOTE FOR THE RESOLUTION ON THIS
MATTER.

IT IS MY UNDERSTANDING THAT THE RESOLUTIONS REPRESENT ONLY
A RECOMMENDATION OF THE JOINT COMMITTEE ON REMUNERATION
AND ARE NOT RECOMMENDATIONS OF THE IBRD AND IMF MANAGEMENT.

YOUR HELP IN SUSTAINING PUBLIC SUPPORT FOR THE WORLD BANK
AND THE IMF BY VOTING AGAINST THE PROPOSED INCREASE IN
SALARIES WOULD BE APPRECIATED.

SINCERELY YOURS,

WILLIAM E. SIMON
U.S. GOVERNOR IBRD/IMF
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